

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 881 - SB 1778**

March 9, 2009

**SUMMARY OF BILL:** Creates a student loan program funded from net lottery proceeds to assist students who are seeking to become truck drivers with the cost of tuition, mandatory fees, and books. Requires such students to sign promissory notes for loans up to a maximum of \$4,000 each, and to begin repaying such loans within six months of completion of their respective educational program or immediately upon termination of the loan, whichever is earlier.

**ESTIMATED FISCAL IMPACT:**

**Other Fiscal Impact - Increases the expenditure of lottery proceeds earmarked for scholarships and grants by \$21,361,200 per year. Beginning in FY10-11, the state will begin receiving loan payments which are dependent upon the terms of the loans, annual interest rates, and default rates. Assuming two-year loan terms, an average interest rate of four percent per year, and an average loan default rate of four percent, loan payments are estimated to be \$5,436,300 in FY10-11 and \$10,872,600 per year beginning in FY11-12.**

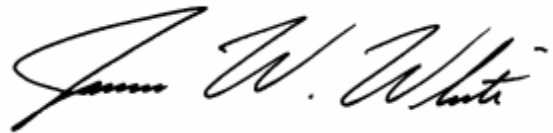
Assumptions:

- According to the Tennessee Higher Education Commission, there are 17 authorized truck-driving schools in Tennessee.
- The total number of students enrolled in these 17 schools during the fall of 2008 was 5,412.
- The number of students enrolled in truck-driving schools remains constant in subsequent years.
- According to the Tennessee Student Assistance Corporation (TSAC), costs for tuition, books, and fees were in excess of \$4,000 per year at 13 of the schools, while costs at the other four were below \$4,000 per year. TSAC projects the average amount expended will be approximately \$3,947 per student per year.

- The increase of expenditures from lottery proceeds is estimated to be \$21,361,200 per year ( $5,412 \times \$3,947 = \$21,361,164$ ).
- The state is projected to start receiving loan payments during FY10-11. Determining how much the state will receive in loan payments is dependent upon several unknown factors, including but not limited to, the terms of the loans, annual interest rates, and default rates.
- Assuming such loans are for terms of two years, interest rates average four percent per year, with a four percent default rate, loan payments to the state are expected to be approximately \$10,872,600 per year beginning in FY11-12. Loan repayments for FY10-11 are estimated at 50 percent of the first full-year due to the six-month grace period allowed loan recipients.

### **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

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